

A Rational Start-up Model

Milton Chang
New Focus/Focused Research
mmtChang@newFocus.com



Photonics Environment

- After 40 years, finally the golden age
- Enabling technology for many products
- E-O components primitive & expensive
- ATP infrastructure program fills a critical need of the industry
- Telecommunications attracting significant investor interests



The Low-Risk Model

- Set step-wise achievable goals
- Start with a modest investment
- Live within your means
- Build a solid business foundation
- Learn business skills
- Seize an opportunity & ramp business



Founding vision of New Focus

- Build a company of excellence
- Serve the optics/photonics community as colleagues
- A place where people can succeed
- Build a solid foundation, seize the opportunity, and ramp volume



Main Guiding Principles

- Simply better photonics tools.
- Serve customers particularly well as colleagues.
- Align employee/company goals
- A value system based on common sense



Other Guiding Principles

- Build an efficient operating systems
- Institutionalizing the value system
- Professionalism tampered by compassion
- Choose business/customers
- Build on core competencies

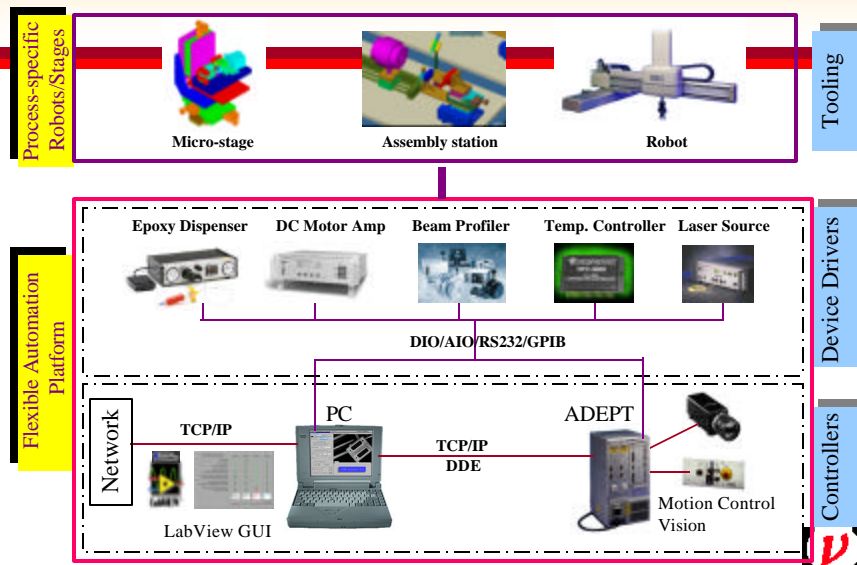


Product-line migration

- . Optical mounts & positioners.
- . 60 GHz photodetectors.
- . 9.2 GHz bulk modulators.
- . Misc. Lab instruments
- . Tunable Lasers for research
- . Telecom tunable lasers
- . Telecom passive/active fiber optics components.
- . Low-cost 10 Gbit transceiver.



ATP-Funded Flexible Automation System Architecture



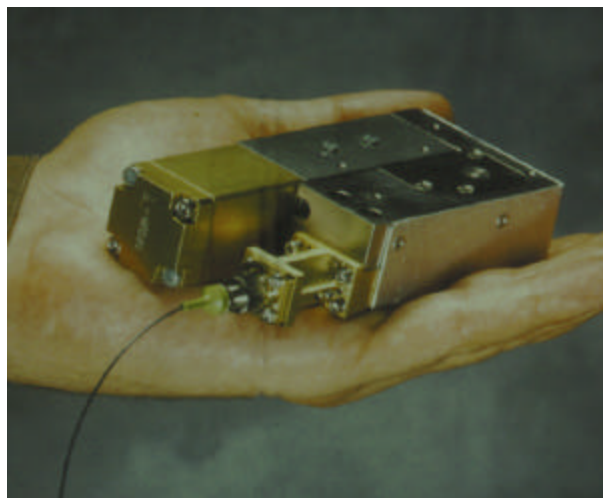
New Focus Circulator



- Qualified to Bellcore standards
- Low insertion loss, low polarization-mode dispersion and broad wavelength range
- Epoxy-free optical path for increased reliability



Rugged Field application laser



Temptations

- Boutique or Sears & Roebuck
- Customized systems business
- Get government contracts that are unrelated to core business
- Lasers: Honesty in specifications



New Focus Toady

- **Excellent reputation**
- **200+ employees & actively recruiting**
- **>35% average growth per year & accelerating**
- **6 product lines (790 products, 192 page catalog)**
Excellent product engineering infrastructure
- **Qualified telecom supplier**
- **Significant venture funding recently**
- **IPO within reach**



Conclusions

- **Engineers can use this model to start businesses**
- **Strong foundation to support rapid growth**
- **A company of excellence that's built to last**
- **Founders:**
 - can play leadership roles,
 - retain significantly ownership, and
 - have fun at it!
- **Get Contract funding iff relating to products**



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